

W. A. SHEAFFER PEN COMPANY

Fort Madison, Iowa, U. S. A.

The Makers of

SHEAFFER'S

Pens, Pencils, Desk Sets, Skrip, Leads



ANNUAL REPORT

FOR THE FISCAL YEAR ENDED
FEBRUARY 29, 1948

W. A. SHEAFFER PEN COMPANY

General Office and Factory
FORT MADISON, IOWA, U.S.A.

Branch Offices

CHICAGO
NEW YORK
SAN FRANCISCO

Branch Plants

MT. PLEASANT, IOWA
QUINCY, ILLINOIS
MALTON, ONT. CANADA

OFFICERS

C. R. SHEAFFER	President
G. A. BECK	Executive Vice-President
H. E. WALDRON	Vice-President
G. C. HOLT	Vice-President
G. F. OLSON	Vice-President
W. F. HEISING	Vice-President
L. J. FRANTZ	Secretary
W. A. SHEAFFER, II	Treasurer

E. L. FOLKER, Assistant Secretary and Assistant Treasurer

DIRECTORS

C. R. SHEAFFER	W. F. HEISING
G. A. BECK	G. F. OLSON
G. C. HOLT	H. E. WALDRON

W. A. SHEAFFER, II

TRANSFER AGENT

The Corporation Trust Co.
120 Broadway
New York City
or

15 Exchange Place
Jersey City, New Jersey

REGISTRAR

The Chase National Bank
of the City of New York
11 Broad Street
New York City

AUDITORS

Ernst & Ernst
Continental Illinois Bank Building
Chicago, Illinois

GENERAL COUNSEL

E. H. POLLARD
Lee County Bank Building
Fort Madison, Iowa

W. A. SHEAFFER PEN COMPANY

FORT MADISON, IOWA



TO THE STOCKHOLDERS OF THE W. A. SHEAFFER PEN COMPANY:

April 24, 1948

While thinking about this annual letter and about the things that I ought to tell you, it occurred to me that it might be well to talk about the W. A. Sheaffer Pen Company as a company rather than merely to give a resume of its financial operations and other activities during the brief period of only one year. This thought occurred to me, not only because many new stockholders have joined our ranks in recent years but also because even some of us "old-timers" are apt to forget that the gradual growth and development of a company and the acceptance by it of new and enlarged responsibilities — over a period of many years — are the proof of the pudding, are the acid tests for determining whether that company is really worthy of the confidence and respect of those people who, through their investments, are its owners. Certainly, at any rate, we on the operating end have become deeply conscious of the importance of "long-haul" thinking and perspective on the part of stockholders, employees and management alike. That consciousness arises out of the very simple fact that we have not yet discovered any other way to run a business and run it right.

First, however, I do want to give you at least a staccato summary of what took place in terms of dollars and cents during the past fiscal year. Here it is:

Dividends of \$1.20 per share were paid. That's equivalent to \$6.00 per share prior to the 5-for-1 split-up in January of 1947, or a 33½% increase over the amount of the annual dividend paid during the preceding fiscal year.

Net sales pretty well held their own — \$23,279,529.85 for the fiscal year ended February 29, 1948; \$23,515,425.19 for the fiscal year ended February 28, 1947.

Due to increased costs of operation, profits after taxes took a drop from \$2,673,465.50 to \$2,125,581.75, before taking into account the provision for loss on the Canadian subsidiary. On a per share basis and before taking this same provision into account, this amounts to \$2.62 as compared to \$3.29 per share last year.

To create a dollar's worth of product we paid: 28.2¢ for raw materials, purchased parts and supplies; 36.0¢ to employees; 0.6¢ for depreciation; 6.4¢ in taxes; and 19.7¢ for other expenses. In other words, every dollar of product sold cost your Company 90.9¢, leaving 9.1¢ profit on each dollar sold. Of the 9.1¢ profit, 4.2¢ was distributed to stockholders. The remaining 4.9¢ was distributed, 1.3¢ to provision for operating loss of Canadian subsidiary and 3.6¢ to surplus.

Total compensation paid to your officers and directors was \$211,626.68, of which \$39,020.00 was paid to your President. These amounts for the previous fiscal year were \$194,522.51 and \$34,761.63, respectively.

So that we might have adequate working capital for our continuing larger volume of business, a 15 year term loan was negotiated and placed privately for us by the Harris Trust & Savings Bank of Chicago. The notes maturing during the first 5 years were taken by our four city banks — Harris Trust & Savings Bank of Chicago, Continental Illinois National Bank and Trust Company of Chicago, Chase National Bank of the City of New York, and Central Hanover Bank & Trust Company of New York City. The 6 to 15 year notes were taken by five insurance companies. The average interest rate for all maturities was 2.79%. Prepayment penalties are modest.

The Canadian operation has been disappointing because of the slowness with which we have been able to recoup after the fire of 1946. All had to be rebuilt at a most difficult time. We have reason to anticipate that our operations there will improve both from a production and profit standpoint.

Getting back to the discussion of your Company **as a company**, let's take a look at what has happened in the past:

Some 40 years ago, our founder, Mr. W. A. Sheaffer, began experimenting in the back room of his small jewelry store here in Fort Madison — experimenting on a simple, double pressure bar self-filler that was to result in the elimination of the eye dropper and in the introduction of the first lever-filling fountain pen. It was an experiment that revolutionized an industry and that completely changed the writing habits of peoples throughout the world.

There followed, in 1914, the screw cap which sealed the writing point of the fountain pen, thereby keeping the writing fluid from drying and doing away with the former common practice of jarring or shaking the pen to make it write; also in 1914, the one-piece inner cap that prevented leaking; in 1918, the manifold pen point which, being of substantial strength and sturdiness, meant, for the first time, a long life for fountain pen nibs; in 1921, the first propel-repel-expel pencil; in 1922, the introduction, after years of experimentation and research, of Skrip writing fluid which led to a marked improvement in all writing fluids; in 1924, the initial use, in lieu of rubber, of a plastic material for fountain pen barrels and caps — a material that was virtually unbreakable and that enhanced immeasurably the appearance of the product; likewise in 1924, the fountain pen desk set that was to become a widely used product in the home and office; in 1929, the Balance Design which did away with the flat, closed ends on both the cap and barrel, and which streamlined the pen, added balance and eliminated top-heaviness; in 1931, the Feathertouch pen point, which gave normal writing on one side and a finer line of writing when turned over on the other side; in 1934, the vacuum or plunger type pen with a visible barrel showing the quantity of writing fluid in the barrel; in 1938, the Fineline pencil which obsoleted the thicker leads and which resulted in the introduction on the market of a thinner, stronger and more satisfactory lead; in 1942, the Triumph Ensemble, with a 14-Karat sheath-type writing point, housing a feed with a capacity for a very substantial amount of writing fluid, thus preventing leakage and permitting normal writing even under abnormal conditions; in 1946, the Stratowriter, which is Sheaffer's contribution to the ball-point writing instrument field; in 1947, the Safeguard Reservoir Desk Set, with the fluid safely stored in the base and with the tip of the writing point continuously immersed in an auxiliary well communicating with the reservoir, there being no danger of the fluid spilling, even out of the opening for the pen in the base; and in 1948, the introduction of Radite II (a new plastic material that is non-combustible, that lends itself to a wider range of colors, and that has better depth of color as well as greater strength and durability), the introduction of the Fineline fountain pen and ball point writing instrument, and the wide acceptance of the Sheaffer Threesome, the only set combining all three writing instruments—fountain pen, mechanical pencil, and ball point—first offered to the public in 1947.

The Company was started (as an Iowa Corporation) back in 1913 only after Mr. Sheaffer's friends in his own home town of Fort Madison offered the financial support that was needed at that time. They raised \$35,000, which was the Company's original capitalization — 350 authorized shares of \$100 par value common stock.

This capitalization was increased in 1914 to \$100,000, consisting of 700 shares of \$100 par value common stock and 300 shares of 7% preferred stock also having a par value of \$100; and in 1917, the common stock was increased to 3,250 shares and the preferred stock to 750 shares, making a total capitalization of \$400,000.

In January of 1918, the Company was reorganized as a Delaware Corporation with a capitalization of \$1,575,000 — 15,000 shares of \$100 par value common stock and 750 shares of 7% preferred stock having a \$100 par value. Thereafter, in 1920, the capitalization was increased to \$4,075,000 with the authorized issuance of 25,000 shares of 8% second preferred stock having a par value of \$100 — and was decreased to \$4,000,000 in 1923 with the elimination of the 750 shares of 7% preferred stock.

In the year 1928, the 15,000 shares of \$100 par value common stock were changed to 300,000 shares of no par common, the dollar amount of the capital remaining unchanged, and in 1933 these 300,000 authorized shares were reduced to 165,000 shares and the number of shares of preferred stock authorized was reduced from 25,000 to 3,000, still affecting no change in the dollar amount of the capital account.

In 1940, the last of the 8% preferred stock was eliminated from capitalization, leaving only 165,000 authorized shares of no par common stock which, due to a 5-for-1 split-up, were increased and changed in January 1947 to 825,000 authorized shares of \$1.00 par value common stock. Neither of these changes affected any change in the dollar amount of the capital account.

From the above review of the financial history of the Company, you will note that, since 1940, the Company's capitalization has consisted solely of common stock. There are no bonds or preferred stock that take precedence over this common stock.

The accompanying chart on the last page of this report sets forth a year by year history of your Company's net sales; net profit after taxes; dividends; wages and salaries; profit sharing payments to employees and officers; and taxes. This, I believe, will give you a running account of our financial development from an operational standpoint. In addition to this information, it is interesting to note that during the past 10 years the number of our employees has increased from 1,079 to 2,695 (not including the employees of our Canadian Subsidiary). The number of stockholders increased during that same period from 2,367 to 2,548. These 2,548 stockholders, by the way, are located in every state of the United States with the single exception of Delaware.

At the present time your Company is the customer of over 500 firms and individuals doing business in about 30 states and in some 150 towns and cities. The goods and services they supply us benefit, directly or indirectly, the more than 37,000 Sheaffer dealers located in every state and in every city of the United States and in more than 80 foreign countries. And to us, in turn, the servicing of these dealers has brought about a sizable increase in physical facilities — from the small back room in the jewelry store, having a floor space of approximately 300 square feet, to three plants in Fort Madison, one in Mount Pleasant, Iowa, one in Quincy, Illinois, and one in Malton, Ontario, Canada, having a total floor space of over 300,000 square feet, and Branch Offices in Chicago, San Francisco and New York City.

Although growth in terms of volume of sales, profits, dividends, payroll and the like is of real importance and is, most assuredly, one accurate yardstick with which to measure a company's progress, the most important growth by far and the one that most accurately reflects the worth of a company is that which is measured in terms of the company's understanding and appreciation of human relations.

"Human relations" is a very intangible sort of thing. Like "home life", it is hard to define. But it is, nevertheless, a tremendously valuable asset and one that determines not only a company's progress, but even its very existence. For, when it is all said and done, everything a company does, or hopes to do, depends upon people.

Inasmuch as your management believes that decent human relations is the real key to the successful operation of any company, you will, of course, want to know to what extent we have practiced the philosophy we preach. And, inasmuch as human relations begin at home, any review should properly start there — that is, with the employee.

Since this Company first commenced operations, the Sheaffer employee has always received a large but justifiable share of the dollars coming in. During the fiscal year just ended, for example, his share was 36%. His rate of pay has been fair, not only in relation to other rates being paid within the plant but also in relation to rates being paid in the same labor area. Since 1934 he has received a share of the Company's profits, his payments ranging from 4% of his earnings to as high as 25%. Total profits distributed to all employees since that year have amounted to \$5,882,634.31 (exclusive of special profit sharings to key personnel and Company contributions to Employees' Savings & Profit Sharing Trust Fund). He has for many years received liberal vacation allowances and is now enjoying paid rest periods.

Needless to say, the employee's security has always been a matter of prime importance, both to himself and to management. To safeguard this security **from day to day**, group insurance and hospitalization have been made available, with the Company paying a portion of the expense. To safeguard this security **from year to year**, production and employment have been stabilized so as to reduce layoffs to a very minimum. To safeguard this security **for life**, your Company adopted in 1942 an Employees'

Savings and Profit Sharing Trust Fund to which the Company has contributed \$1,061,830.42 and the employees \$832,431.20.

An open-door policy, opportunity for advancement, friendly and above-board discussions of all employees' problems, more and better jobs — in short, a sincere respect for human dignity—have always been our chief goal. But right here I want to say, and with the deepest gratitude, that the caliber of the people working at the benches, on the machines, and at the desks has been largely, if not entirely, responsible for the feeling of friendliness, cooperation and mutual respect that we have long been privileged to enjoy.

With regard to our dealer relations, there is nothing I can say that will better describe these relations than to say that last October your Company was given an award by the National Stationers Association for having been voted its member manufacturer having the most acceptable dealer policies. These dealers, by the way, gave us more orders during the month of March just past than they did during the same month a year ago.

In the communities where we carry on our operations we have endeavored to be good citizens and good neighbors. We have contributed generously, but within reason, to the various relief campaigns and to worthwhile projects for civic improvement. We have, I am sure, conducted our business and our affairs in an acceptable manner. We have made every attempt to enrich the economic life of the community and have encouraged our people to take an active interest in the social, cultural, economic and governmental affairs of their home town.

There, for your appraisal, is the general, over-all picture of the W. A. Sheaffer Pen Company as a company — some facts about its history, about its accomplishments, and about its concept of what really goes to make up a worthwhile company. A look at that picture will show that this Company has developed slowly but gradually over a period of years, with each improvement paving the way for the next one. And although it does not show a record that is perfect, you may perhaps feel that the record it does show is at least a creditable one, not only with respect to the production of physical goods but also with respect to the creation of human satisfactions.

To improve that record, to build a better company, to assume and discharge additional responsibilities are the tasks that now face us.

It is difficult to predict how well those tasks will be accomplished, even though the "shaking-down" process that has been going on in the fountain pen industry for the past year or so has pretty well run its course and even though our position in the industry is now fairly clear and rather firmly established. It is difficult to make predictions of almost any kind, because the confusion existing throughout the world and the many factors, both economic and political, that are beyond our control are bound to affect results.

Under circumstances such as these, we see no alternative except to go ahead and run this Company's business as best we know how, trying and hoping to maintain at least a fair batting average in the anticipation of situations that will arise. In proceeding on this basis, we do so with a healthy self-confidence in the future of our Company but with an urgent plea for a continuation of the fine support that has always been given this organization by the individuals and groups who comprise it.

Respectfully yours,



President.

ACCOUNTANTS' REPORT



March 29, 1948

Board of Directors,
W. A. Sheaffer Pen Company,
Fort Madison, Iowa.

We have examined the balance sheet of **W. A. Sheaffer Pen Company** as of February 29, 1948, and the statements of profit and loss and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards and included all procedures which we considered necessary in the circumstances. Such procedures included tests of accounts receivable balances by direct communication with debtors, observation of procedures followed by the Company in the determination of inventory quantities and tests to satisfy ourselves as to the existence and general accuracy of the quantities.

In our opinion, the accompanying balance sheet and related statement of profit and loss and earned surplus present fairly the position of **W. A. Sheaffer Pen Company** at February 29, 1948, and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST,
Certified Public Accountants.

W. A. SHEAFFE

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BALANCE SHEET AS

Figures in color as of February 28, 1947

ASSETS

CURRENT ASSETS:

Cash	- - - - -	\$ 4,071,913.72
U. S. Treasury bills — at cost	- - - - -	\$ 1,206,276.76 997,752.51 —○
Trade notes (\$ 23,532.82) and accounts receivable — less reserve of \$ 75,000.00	- - - - -	2,143,629.99 2,736,502.97 245,968.69 312,995.68
Other notes and accounts receivable	- - - - -	
Inventories — at the lower of cost (first-in, first-out method) or market:		
Finished products	- - - - -	\$ 1,405,297.71 \$ 1,727,955.78
Work in process and finished parts	- - - - -	3,503,626.70 3,920,876.50
Raw materials	- - - - -	1,770,170.57 1,856,950.84
Materials in transit	- - - - -	66,559.94 333,464.24
		6,745,654.92 7,839,247.36

TOTAL CURRENT ASSETS

\$ 14,204,919.83
\$ 12,095,022.77

INVESTMENTS AND OTHER ASSETS:

Investments in and advances to Canadian subsidiaries (wholly-owned) — Note A:

Capital stock	- - - - -	\$ 107,011.10 \$ 107,011.10
Advances	- - - - -	1,129,815.69 242,151.70
		\$ 1,236,826.79 \$ 349,162.80
Less reserve	- - - - -	300,000.00 —○
		\$ 936,826.79 \$ 349,162.80
Federal taxes and renegotiation refund receivable	- - - - -	\$ 31,118.77 69,793.65
Unpaid balances of stock subscriptions of officers (\$162,698.69) and employees (\$20,819.35) — common stock of the Company held as collateral	- - - - -	183,518.04 257,513.17
Non-operating real estate and equipment — at cost, less reserves for depreciation of \$ 53,947.50	- - - - -	99,768.47 86,980.43
Sundry notes and accounts receivable (\$ 5,803.35 from employees), deposits and investments	- - - - -	7,262.48 5,715.73
PROPERTY, PLANT, AND EQUIPMENT — on basis of cost Land (\$ 50,996.54), buildings, machinery, and equipment	- - - - -	1,258,494.55 769,165.78
Less reserves for depreciation	- - - - -	\$ 3,079,086.37 \$ 2,728,097.72
		1,340,665.49 1,231,192.12

PATENTS, TRADEMARKS, AND GOODWILL

DEFERRED CHARGES:

Inventories of supplies, prepaid insurance and advertising, etc.

	- - - - -	289,700.01 275,815.58
		\$ 17,491,536.27 \$ 14,636,910.73

PEN COMPANY

DWA, U. S. A.

FEBRUARY 29, 1948

CURRENT LIABILITIES:

LIABILITIES

Trade accounts payable -	\$ 151,917.16 \$ 1,078,646.67
Customers' credits — payable principally in merchandise -	1,115,530.57 1,062,486.89
Due to Employees' Savings and Profit Sharing Trust Fund -	48,092.71 309,380.70
Salaries, wages, bonuses, and commissions -	527,812.48 812,835.31
Taxes withheld from employees, war bond deductions, and other accounts payable -	96,703.11 109,747.55
"Lifetime" product guarantee cost — estimated -	150,000.00 150,000.00
Accrued taxes and other expenses -	101,191.96 99,679.63
Federal and state taxes on income for current and prior years — estimated -	1,439,257.61 2,004,555.06
Current maturity of long-term debt -	300,000.00 —○—
TOTAL CURRENT LIABILITIES	
	\$ 3,930,505.60 \$ 5,627,331.81

LONG-TERM DEBT — Note B

Serial notes payable to banks and insurance companies, maturing in annual amounts of \$ 300,000.00 commencing September 1, 1948, and decreasing to \$ 250,000.00 in 1953 -

\$ 4,000,000.00
—○—
300,000.00

3,700,000.00
—○—

CAPITAL STOCK AND SURPLUS:

Common stock — \$ 1.00 par value — Note B:

Authorized . . . 825,000 shares
Issued . . . 811,775 shares

Surplus:	\$ 811,775.00
Paid-in surplus -	106,300.26 106,300.26
Earned surplus — Note B -	8,942,955.41 8,091,503.66
	9,861,030.67 9,009,578.92

\$ 17,491,536.27
\$ 14,636,910.73

(See Notes to Financial Statements.)

W. A. SHEAFFER PEN COMPANY, FORT MADISON, IOWA

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STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

Year Ended February 29, 1948

Figures in color as of February 28, 1947

NET SALES		\$ 23,279,529.85
		\$ 2 3 . 5 1 5 . 4 2 5 . 1 9
COST OF PRODUCTS SOLD (before provision for depreciation)		11,678,370.44
		1 1 . 3 9 0 . 6 7 5 . 0 4
GROSS PROFIT (BEFORE PROVISION FOR DEPRECIATION)		<hr/> \$ 11,601,159.41
PROVISION FOR DEPRECIATION		\$ 1 2 . 1 2 4 . 7 5 0 . 1 5
		130,489.79
		8 7 . 4 7 2 . 1 2
		<hr/> \$ 11,470,669.62
SELLING, ADMINISTRATIVE, AND GENERAL EXPENSE		\$ 1 2 . 0 3 7 . 2 7 8 . 0 3
		6,911,668.04
		6 2 7 1 . 6 8 1 . 3 2
		<hr/> \$ 4,559,001.58
OTHER INCOME:		\$ 5 7 6 5 . 5 9 6 . 7 1
Interest earned		\$ 25,683.99
		\$ 1 8 . 5 8 5 . 1 5
Discounts on purchases		82,472.90
		1 0 1 . 4 6 5 . 6 0
Sundry income		55,620.93
		5 4 . 2 6 2 . 3 9
		<hr/> \$ 163,777.82
		1 7 4 . 3 1 3 . 1 4
		<hr/> \$ 4,722,779.40
OTHER DEDUCTIONS:		\$ 5,939,909.85
Interest paid		\$ 59,993.66
		\$ 6 0 6 3 . 2 3
Profit sharing payments to employees and officers		1,022,669.92
		1 2 4 4 . 7 1 7 . 6 2
Contribution to Employees' Savings and Profit Sharing Trust Fund		222,077.16
		2 9 7 . 0 5 1 . 7 2
Sundry deductions		32,456.91
		4 8 9 1 . 7 2
		<hr/> 1,337,197.65
		1 5 5 2 . 7 2 4 . 2 9
PROFIT BEFORE TAXES ON INCOME AND SPECIAL PROVISION		<hr/> \$ 3,385,581.75
		\$ 4,387,185.56
TAXES ON INCOME — ESTIMATED:		
Federal		\$ 1,259,000.00
		\$ 1 7 1 2 . 3 2 0 . 0 6
State		1,000.00
		1,400.00
		<hr/> 1,260,000.00
		1 7 1 3 . 7 2 0 . 0 6
PROFIT BEFORE SPECIAL PROVISION		<hr/> \$ 2,125,581.75
Provision in recognition of net loss of Canadian subsidiary — Note A		\$ 2,673,465.50
		300,000.00
		<hr/> 0
NET PROFIT FOR THE YEAR		<hr/> \$ 1,825,581.75
		\$ 2,673,465.50
EARNED SURPLUS — March 1, 1947		\$ 8,091,503.66
DEDUCT CASH DIVIDENDS — \$ 1.20 per share		974,130.00
EARNED SURPLUS — February 29, 1948		<hr/> 7,117,373.66
		<hr/> \$ 8,942,955.41

(See Notes to Financial Statements.)

NOTES TO FINANCIAL STATEMENTS



W. A. SHEAFFER PEN COMPANY

February 29, 1948

Note A — The amounts of the Company's investments in and advances to its subsidiaries exceeded its equity in the underlying net assets at February 29, 1948, by \$ 299,105.00 before giving effect to the provision of \$ 300,000.00 in recognition of the net loss of the subsidiaries for the year then ended. The assets, liabilities, and results of current year's operations are shown in the following summary (converted on the basis of the free rate of exchange):

	W. A. Sheaffer Pen Co. of Canada Limited	Sheaffer Realty Limited
Current assets	\$ 546,667	\$ 7,513
Plant, equipment and other assets	196,455	310,649
TOTAL ASSETS	<u>\$ 743,122</u>	<u>\$ 318,162</u>
Current liabilities	107,819	15,743
EQUITY OF PARENT COMPANY IN NET ASSETS	\$ 635,303	\$ 302,419
Net profit (loss*) for year ended February 29, 1948	<u>\$ 274,239*</u>	<u>\$ 232</u>

Note B — The terms of the agreement covering the serial notes payable, among other things, places restrictions upon the payment or declaration of dividends on, or the purchase or retirement of the Company's capital stock. At February 29, 1948, the amount of earned surplus which was not subject to these restrictions amounted to \$ 1,851,451.75.

Note C — Renegotiation proceedings applicable to profits on war contracts have been concluded and the Company has made the payments requested, however, the findings of the War Contracts Price Adjustment Board, with respect to the year ended February 28, 1945, is being appealed to the Tax Court.

BALANCE SHEET

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EMPLOYEES' SAVINGS AND PROFIT-SHARING TRUST FUND

(G. A. BECK, E. L. FOLKER, and FORT MADISON SAVINGS BANK, Trustees)

February 29, 1948

ASSETS

Cash - - - - -	\$ 293,179.77
Notes receivable - - - - -	40,117.87
Due from W. A. Sheaffer Pen Company - - - - -	48,092.71
INVESTMENTS:	
United States Treasury Bonds — at cost plus accrued interest (at quoted market prices or redemption values \$ 1,290,864.66) - - - - -	\$ 1,309,446.00
Other stocks and bonds — at cost plus accrued interest on bonds (at quoted market prices \$ 196,731.05) - - - - -	194,633.97
	<u>1,504,079.97</u>
	<u>\$ 1,885,470.32</u>

LIABILITIES AND PRINCIPAL

LIABILITIES:

Due to former participants under terms of settlement - - - - -	\$ 42,781.72
PRINCIPAL:	
Participants' accounts and undistributed portion of Company's contribution and net income: Balance at March 1, 1947 - - - - -	\$ 1,423,816.34
ADD: Excess of income over expenses for the year - - - - -	58,616.31
Participants' contributions - - - - -	246,307.84
Company's contribution - - - - -	<u>222,077.16</u>
	<u>\$ 1,950,817.65</u>

DEDUCT: Refunds and settlements arising out of termination of participation - - - - -	\$ 88,543.52
Applied in payment of participants' notes - - - - -	8,557.94
Net adjustment of participants' accounts resulting from settlements (transferred to income) - - - - -	11,027.59
	<u>108,129.05</u>
	<u>1,842,688.60</u>
	<u><u>\$ 1,885,470.32</u></u>

Board of Directors,
W. A. Sheaffer Pen Company,
Fort Madison, Iowa.

We have examined the balance sheet of the EMPLOYEES' SAVINGS AND PROFIT SHARING TRUST FUND, (G. A. Beck, E. L. Folker, and Fort Madison Savings Bank, Trustees) as of February 29, 1948, and without making a detailed audit of the transactions, have examined or tested accounting records of the Fund and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards and included all procedures which we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet presents fairly the position of the Fund at February 29, 1948, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois,
March 29, 1948.

ERNST & ERNST,
Certified Public Accountants.

BALANCE SHEET



SHEAFFER PEN COMPANY TRUST FUND

(C. R. SHEAFFER, E. H. POLLARD, and G. C. HOLT, Trustees)

February 29, 1948

ASSETS

Cash -		\$ 31,947.90
Notes receivable (5,045 shares of W. A. Sheaffer Pen Company's common stock held as collateral) -		63,505.11
INVESTMENTS:		
United States Treasury Bonds—Series G—at cost plus accrued interest (redemption value \$ 87,538.74) -		\$ 90,593.74
Corporation stocks and bonds — at cost plus accrued interest on bonds (at quoted market prices \$ 37,337.92) -		<u>33,360.12</u> 123,953.86
		<u><u>\$ 219,406.87</u></u>

LIABILITIES:

LIABILITIES AND PRINCIPAL

Accounts payable -		\$ 7,315.00
Federal and state taxes on income — estimated -		11,700.00
PRINCIPAL:		
Contributed by W. A. Sheaffer Pen Company -		\$ 100,000.00
Arising from operations of the Fund:		
Balance at March 1, 1947 -		\$ 87,756.23
ADD: Excess of income over expenses for the year -	<u>12,635.64</u>	<u>100,391.87</u> <u>200,391.87</u>
		<u><u>\$ 219,406.87</u></u>

Board of Directors,
W. A. Sheaffer Pen Company,
Fort Madison, Iowa.

We have examined the balance sheet of the SHEAFFER PEN COMPANY TRUST FUND (C. R. Sheaffer, E. H. Pollard, and G. C. Holt, Trustees) as of February 29, 1948, and without making a detailed audit of the transactions, have examined or tested accounting records of the Fund and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards and included all procedures which we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet presents fairly the position of the Fund at February 29, 1948, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois,
March 29, 1948.

ERNST & ERNST,
Certified Public Accountants.

Year by Year History of W. A. Sheaffer Pen Company

(Referred to in President's letter of April 24, 1948, in Annual Stockholders Report.)

Year Ended	Net Sales	Net Profit (Loss *) After Taxes Note (1)	Total Dividend	Wages and Salaries	Regular Profit Sharing To All Employees Note (2)	Total Income and Other Taxes
Dec. 31, 1913	\$ 85,278.61	\$ 17,366.65	\$ — —	\$ 10,118.97	\$ — —	\$ 169.59
1914	185,558.41	25,596.09	17,773.41	26,947.17	— —	337.61
1915	176,054.28	19,151.21	7,294.56	32,349.07	— —	1,947.53
1916	215,421.46	32,991.22	7,314.27	92,821.46	— —	1,845.39
1917	349,658.44	36,592.01	105,724.17	76,323.76	— —	7,570.31
1918	568,731.66	67,312.86	15,005.99	190,235.57	— —	47,379.93
1919	1,144,466.00	167,045.25	61,573.93	389,744.57	— —	45,184.88
1920	1,665,245.46	107,870.42	103,270.70	549,114.48	— —	44,413.54
1921	1,397,323.85	58,388.53	224,950.63	618,524.99	— —	13,184.06
1922	1,526,178.61	105,151.71	92,363.76	531,510.24	— —	20,022.49
1923	1,901,030.34	172,561.38	91,757.60	628,558.91	— —	31,404.14
1924	2,229,177.89	202,649.28	90,756.36	732,104.09	— —	41,808.18
1925	3,830,885.87	787,096.08	90,509.80	786,212.46	— —	115,545.28
1926	5,053,117.53	963,514.78	89,883.67	978,734.16	— —	159,601.55
1927	5,179,815.38	712,796.27	98,272.62	1,027,196.98	— —	122,428.03
Jan.-Feb. 1928	569,814.39	17,250.09	7,484.00	185,334.72	— —	1,951.45
Feb. 28, 1929	6,461,183.92	1,209,204.88	414,156.00	1,072,857.10	— —	162,179.16
1930	6,994,321.66	1,530,714.80	560,887.50	1,246,664.69	— —	192,783.99
1931	5,497,734.51	701,791.91	525,676.00	1,053,538.32	— —	95,076.00
1932	3,813,196.57	236,064.90	520,781.00	852,946.12	— —	12,248.07
1933	2,137,809.35	675,978.88*	103,561.50	550,347.77	— —	32,642.15
1934	1,925,668.91	235,515.64	21,368.00	463,508.39	— —	47,237.01
1935	2,686,761.59	432,714.80	21,368.00	954,644.01	27,520.69	87,250.43
1936	3,359,327.06	519,671.18	261,958.50	1,159,619.30	34,313.08	102,782.42
1937	4,317,841.64	651,048.58	537,379.25	1,037,153.81	84,715.77	188,285.41
1938	5,134,052.78	678,106.27	331,713.00	1,525,251.57	147,866.00	232,649.68
1939	4,679,254.53	691,111.54	330,214.75	1,402,932.08	126,868.64	226,562.12
1940	5,595,705.66	744,294.77	478,933.50	1,654,769.92	227,885.06	268,803.31
1941	6,458,725.88	812,937.34	518,535.00	1,881,258.49	301,110.21	457,229.03
1942	9,161,584.26	934,807.05	514,409.00	2,623,522.52	417,585.91	1,319,552.44
1943	14,366,811.31	1,099,207.12	473,571.75	3,703,574.54	510,781.92	3,460,307.65
1944	17,090,635.13	1,239,113.79	478,585.50	4,469,989.74	597,996.02	4,429,593.37
1945	19,611,615.27	1,134,570.26	479,933.25	5,430,762.56	766,702.61	3,880,223.14
1946	14,658,846.30	847,460.14	471,803.25	5,091,837.38	724,421.71	1,234,810.83
1947	23,515,425.19	2,673,465.50	724,748.25	7,451,400.39	1,104,490.12	1,870,956.82
1948	23,279,529.85	2,125,581.75	974,130.00	7,356,607.62	810,376.57	1,477,418.33
If you are interested in Totals, here they are	\$ 206,823,789.55	\$ 21,314,737.17	\$ 9,847,648.47	\$ 57,839,007.92	\$ 5,882,634.31	\$ 20,433,385.02

Note (1)—Surplus adjustments have been reflected only to following extent:

Years ended February 28, 1943 and February 29, 1944—to reflect restoration of unused balance of provisions for war production contingencies and post-war adjustments.

Year ended February 28, 1945—to reflect refund of portion of prior year contribution to employees' trust fund.

February 29, 1948 net profit is before provision in recognition of net loss of Canadian subsidiary.

Note (2)—Exclusive of special profit sharing payments to key personnel and Company contributions to Employees' Savings and Profit Sharing Trust Fund.